

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

April 17, 2002

IN RE:

APPLICATION FOR APPROVAL OF THE INDIRECT  
TRANSFER OF CONTROL OF McLEODUSA  
TELECOMMUNICATIONS SERVICES, INC.

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DOCKET NO.  
02-00266

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ORDER APPROVING TRANSFER OF AUTHORITY

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This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA") at the regularly scheduled Authority Conference held on March 26, 2002 for consideration of the *Application* (the "*Application*") of McLeodUSA Telecommunications Services, Inc. ("McLeodUSA"), pursuant to the provisions of Tenn. Code Ann. § 65-4-113, for approval of a transfer of the authority to provide utility services currently held by McLeodUSA.

**Requirement of and Standards for Authority Approval**

Tenn. Code Ann. § 65-4-113 requires a public utility to obtain Authority approval to transfer its authority to provide utility services. Tenn. Code Ann. § 65-4-113(a) provides as follows:

(a) No public utility, as defined in § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, partnership, corporation or other entity without first obtaining the approval of the authority.

Tenn. Code Ann. § 65-4-113(b) provides the standards by which the Authority shall consider an application for transfer of authority, in pertinent part, as follows:

(b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including, but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer. . . .

### **The Application**

McLeodUSA's *Application* is contained in a letter to the Authority dated March 1, 2002.<sup>1</sup>

In its *Application*, McLeodUSA requests Authority approval of an indirect transfer of control of McLeodUSA to The Forstmann Little Partnerships ("FLP"). According to the *Application*, FLP currently owns a non-voting, minority interest in McLeodUSA, and the transaction under consideration will change FLP's ownership to a voting, controlling interest of fifty-seven percent (57%). McLeodUSA is an Iowa corporation with its principal offices located in Cedar Rapids, Iowa, and it holds a Certificate of Authority to provide facilities-based and resold local exchange and interexchange services in Tennessee granted in Docket No. 96-01632 by Order dated March 25, 1997 and transferred to McLeodUSA by Order dated January 24, 2001 in Docket No. 00-00906. FLP are members of a family of affiliated private investment funds, Forstmann Little & Co., which has long been recognized as a permanent acquirer and owner of businesses.

### **Public Interest Considerations**

The *Application* states that the indirect transfer of control will not involve a change in the name under which McLeodUSA currently offers service in the State of Tennessee, nor will it change any of the services McLeodUSA offers in Tennessee. There will be no change to the rates or terms and conditions of service. McLeodUSA will continue to be led by the same team of experienced telecommunications officers and personnel. The indirect transfer of control of

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<sup>1</sup> The March 1, 2002 letter is a notification to the Authority of the proposed transaction. Because, as explained herein, this transaction involves a transfer of the authority to provide utility services held by McLeodUSA, approval by the Authority is required, and the Authority treated McLeodUSA's letter of notification as its Application for such approval.

McLeodUSA will be seamless and completely transparent to Tennessee customers.

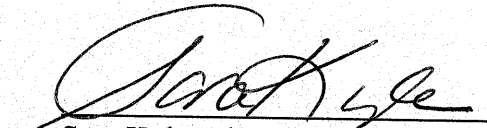
**Findings**


The Directors of the Authority considered this matter at the March 26, 2002 Authority Conference. Based upon careful consideration of the *Application* and of the entire record of this matter, the Authority finds and concludes as follows:

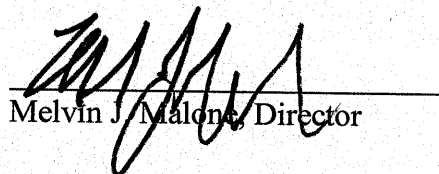
1. The Authority has jurisdiction over the subject matter of this *Application* pursuant to Tenn. Code Ann. § 65-4-113;
2. McLeodUSA Telecommunications Services, Inc. has been granted authority to provide telecommunications services in Tennessee;
3. Majority ownership of McLeodUSA Telecommunications Services, Inc. will be assumed by The Forstmann Little Partnerships, resulting in a transfer of the authority granted McLeodUSA Telecommunications Services, Inc. to provide utility services; and
4. The transfer of authority will benefit the consuming public.

**IT IS THEREFORE ORDERED THAT:**

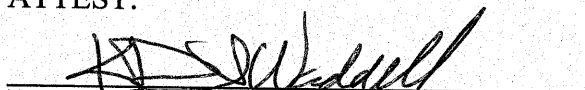
The *Application* of McLeodUSA Telecommunications Services, Inc. for approval of the transfer of authority described herein is approved.

  
Sara Kyle, Chairman

  
H. Lynn Greer, Jr., Director

  
Melvin J. Malone, Director

ATTEST:

  
K. David Waddell, Executive Secretary